



29 April 2022

Mr Channa Wijesinghe
Chief Executive Officer
Accounting Professional and Ethical Standards Board (APESB)
Level 11
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Dear Channa

Proposed Amendments to Fee-Related provisions of APES 110 Code of Ethics for Professional Accountants (including Independence Standards)

Chartered Accountants Australia and New Zealand (“CA ANZ”) appreciates the opportunity to provide comment on the proposals to revise APES 110 *Code of Ethics for Professional Accountants (Including Independence Standards)* (“the Code”) to address provisions relating to fee dependency from a referral source (“the ED”). Our key points are provided below, and more detailed commentary follows.

Key points

- Consistent with our [previous submission](#) on APESB ED 03/21, we reiterate that we do not support arbitrary thresholds in principles-based standards.
- We support option 1, to require a review by an Appropriate Reviewer, a term already defined and used in the Code.
- In our opinion a pre-issuance review would be a stronger response to the threats created than a post-issuance review.
- For fee dependency at the Engagement Partner or an Office of the Firm level, the review should be conducted by a reviewer who was not involved in the Audit Engagements *and* who is from another Office of the Firm.

Specific comments

Explicit thresholds

We support a principles-based Code. Principles-based standards address qualitative factors such as the behaviour of professional accountants. Standards which include requirements based on quantitative factors such as rates or percentages may result in behaviour which is inconsistent with the objectives of the Code. While we do not support arbitrary thresholds to indicate applicability of requirements, we acknowledge that the percentage proposed in AUST R410.14.2 appears to be consistent with the percentages in similar provisions proposed in paragraphs R410.15 and R410.18 of the Code which are consistent with the IESBA Code.

Type of review

Proposed paragraph AUST R410.14.2 provides three options regarding the type of review to be undertaken where fee dependency extends beyond five consecutive years. We support consistency in the application of requirements across the Code. However, we are concerned that specifying the type of review to be undertaken is inconsistent with similar requirements contained in the Code, therefore, we do not support the level of specificity proposed in options 2 and 3 of the ED. While we agree that ASQM 2 *Engagement Quality Reviews* provides an appropriate framework for members conducting such a review, we believe it would be more consistent with the Board's drafting conventions to refer to it in application material. We recommend the Board adopt option 1, to require a review by an Appropriate Reviewer, a term already defined and used in the Code.

We appreciate that some members may require guidance as to the objectives, nature and extent of a review required under AUST R410.14.2. As a Professional Body requiring our members to comply with the Code we will undertake activities to assist our members understand this requirement.

Timing of review

Proposed paragraph AUST 410.14.1 A1 states that fee dependency creates a definite self-interest or intimidation threat. Considering the definitive nature of these threats, we support a definitive response. We consider the provision of options as to the timing of the review at AUST R410.14.2(a)–(b) is inconsistent with AUST 410.14.1 A1 and possibly other requirements in the Code and may not be in the public interest. We recommend the Board determine which is the most appropriate response to the threats created and make that the requirement. In our opinion a pre-issuance review as proposed in paragraph AUST R410.14.2(a) would be a stronger response to the threats created.

Who can perform the review?

We support the need for a review to be conducted by a qualified and objective professional accountant to address the self-interest or intimidation threat arising when a high proportion of audit fees are generated from a single referral source over a period of time. Proposed paragraph AUST R410.14.2 also sets out requirements for who can undertake the review. The last sentence states *"If the fee dependency is for an Engagement Partner or an Office of the Firm, the [review or compliance engagement] shall be conducted by a Member who was not involved in the Audit Engagements."* In our opinion, this does not address the threat appropriately. Where the fee dependency is for an Engagement Partner or an Office of the Firm, we believe that the review should be performed by a reviewer who was not involved in the Audit Engagements *and* is from another Office of the Firm.

The **Appendix** provides more information about CA ANZ. Should you have any questions about the matters raised in this submission or wish to discuss them further, please contact Josephine Haste CA, josephine.haste@charteredaccountantsanz.com.

Yours sincerely

Simon Grant FCA
Group Executive
Advocacy and Professional Standing

Appendix

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents 131,673 financial professionals, supporting them to make a difference to the businesses, organisations and communities in which they work and live. Chartered Accountants are known as Difference Makers. The depth and breadth of their expertise helps them to see the big picture and chart the best course of action.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with mentored practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate boldly in the public good. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations.

We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 15 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.

We employ more than 500 talented people across Australia, New Zealand, Singapore, Malaysia, Hong Kong and the United Kingdom.